

# 12.0

## ECONOMIC DEVELOPMENT ELEMENT

### 12.1 Introduction & Planning Context

For Covington, this Economic Development Element is being added as a new element of the Covington Comprehensive Plan. This element is consistent with pertinent statewide growth management planning, the Covington City Council’s Vision Statement for the community, and more recent economic development initiatives of the City Council and Covington Economic Development Council (CEDC).

#### 12.1.1 Statewide Growth Management Planning Context

At the time the Washington State Legislature adopted the Growth Management Act (GMA) in 1990, economic development was an optional rather than a mandatory element for local jurisdiction planning. To date, the City of Covington Comprehensive Plan has not included an economic development element.

In 2002, the Legislature recognized the need to more “strategically position our state and local communities to compete successfully in a changing economy” by making economic development a required element of local Comprehensive Plans. As stated by RCW 36.70A.070 (as amended):

An economic development element establishing local goals, policies, objectives and provisions for economic growth and vitality and a high quality of life.

The element shall include:

- A summary of the local economy such as population, employment, payroll, sectors, businesses, sales, and other information as appropriate;
- a summary of the strengths and weaknesses of the local economy defined as the commercial and industrial sectors and supporting factors such as land use, transportation, utilities, education, work force, housing and natural/cultural resources; and

- an identification of policies, programs, and projects to foster economic growth and development and to address future needs

### 12.1.2 Management Goals

The City's Vision Statement provides that:

The City of Covington is a place where community, businesses and civic leaders are partners in building a city that is family-oriented, safe and pedestrian-friendly. A community that proudly invests in enhancing our small town character and natural environment, and provides diverse recreational opportunities, as well as remaining financially responsible.

The Covington City Council has further identified five elements essential to achieving this vision – centered on themes of downtown, residential, environment, design standards, parks and open space.

### 12.1.3 Economic Development as a Public Private Priority

As part of its 2008 City Council Objectives (adopted February 12, 2008), the role of economic development has been further articulated to:

Continue economic development activities in Downtown Covington and other commercial/industrial neighborhoods through the partnership with the Chamber of Commerce and the Covington Economic Development Council. Complete the economic development policy document, create a work plan to implement the Downtown Plan and economic development policy document, and review efforts with the City Council.

Subsequent to this policy direction, the Covington Economic Development Council has adopted (on February 28, 2008) economic development goals, objectives and strategies. The overall intent of this CEDC document is articulated by the first goal, namely to *“ensure that the City of Covington is a safe and attractive place to work, live, recreate, shop and visit.”*

### 12.1.4 Economic Development Planning Process

This Economic Development Element has been prepared as part of a planning process conducted in 2008 involving:

- Joint participation of City Council and Planning Commission in partnership with the Covington Economic Development Council (CEDC) and private organizations such as the Covington Chamber of Commerce.
- Community outreach which included stakeholder interviews, a community survey and community open house event

- Preparation of an economic profile to serve as a baseline understanding of recent trends and current conditions affecting business and economic development prospects for the community.
- Summary assessment of economic development strengths, weaknesses, opportunities and threats (or SWOT).

## 12.2 Economic Profile

Topics covered by this economic profile include population and demographic trends, economic trends, City of Covington financial indicators, potential future annexations and development trends and capacity.

### 12.2.1 Population & Demographic Trends

Covington's economic profile contains information on the following geographies:

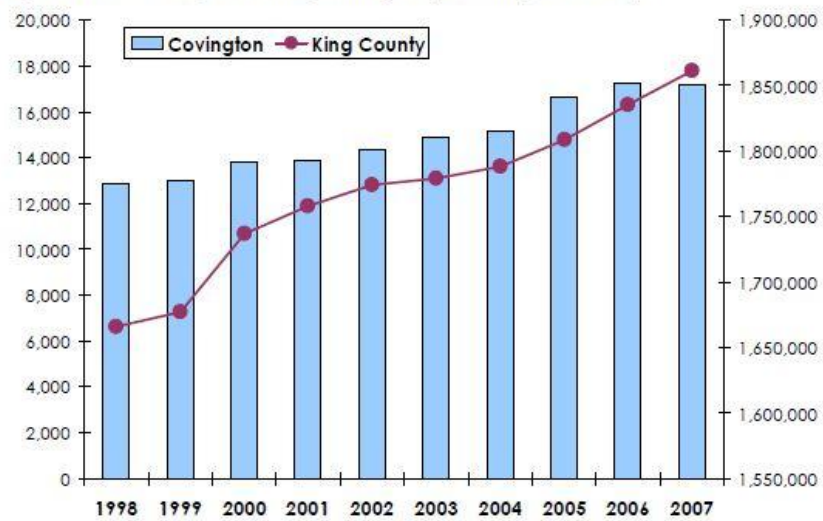
- City of Covington (and with some information also provided, as available, for the UGA)
- A retail trade area (extending beyond Covington to encompass the 98042 zip code of the city and three adjacent zip codes of 98038, 98010 and 98051)
- South King County (consistent with the geography used previously by the *South King County Economic Engine* analyses)
- King County
- State of Washington (as a broader point of comparison)

#### Population

As of 2007, Covington had an estimated 17,190 residents – representing just under 1% of King County's population of approximately 1.86 million. King County accounts for 29% of the entire state population of nearly 6.5 million, and represents a much smaller (3.2%) portion of Washington's geographic land area.

Of the sixteen cities in a South King County region of 463,200 residents, Covington ranks 10th in size of population. However, since 2000, Covington has also been experiencing more population growth that is 2 ½ times as rapid as the south county region as a whole. Between 2000 and 2007, population city-wide increased at rates averaging 3.2% per year – much more rapidly than annual rates of growth experienced within South County, King County and across the state – all of which have ranged from 1.0% to 1.4% per year.

Figure 12.1: Covington &amp; King County Population (1998-2007)



Source: Washington Office of Financial Management.

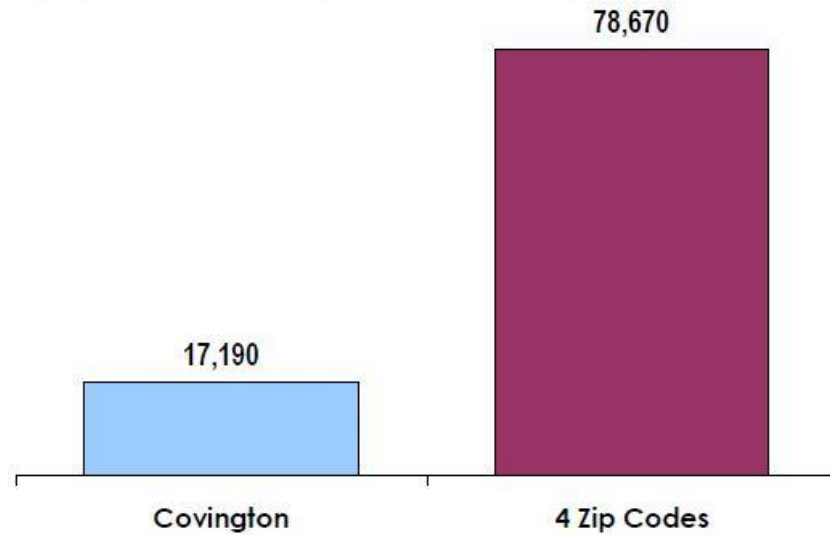
As of 2007, the population within the 4 zip codes of 98042 (Covington), 98038 (Maple Valley), 98010 (Black Diamond) and 98051 (Ravensdale) totals nearly 78,700 residents. Taken together, these four zip codes serve as one potential measure of a retail trade area served by Covington businesses. For some businesses, the trade area from which customers are drawn may be substantially larger – reaching into Kent and Auburn or over the hill to the I-90 corridor.

According to the city's adopted *Comprehensive Plan*, a long-term anticipated growth rate of 1.4% is estimated between 2003 and 2023. With this rate of growth, the City of Covington would have just under 19,500 residents by 2023. However, with population growth in the city occurring at rates more than double the forecast, the city could reach this population growth target by as early as 2011 – unless growth rates recently experience are substantially abated in the years ahead for reasons such as changed economic, housing and/or transportation conditions.

### Race /Ethnicity

Covington is less diverse in terms of race and ethnicity than all of King County and the state. The city is also diversifying more slowly than the rest of the South County cities.

Figure 12.2: Covington &amp; 4-Zip Code Area Population



Source: Washington Office of Financial Management and ESRI.

### Education

Overall, the most recent available data (as of the 2000 Census) indicates that Covington residents (age 25 and over) are relatively well-educated when compared with their counterparts in South King County and the entire state – though not as highly educated when compared to King County as a whole.

### Households

Compared with the rest of King County, Covington has a high proportion of family households with children and has large-lot housing at relatively affordable prices. According to the 2000 Census, Covington had nearly 4,400 households, with an average size of 3.13 residents per household. This is significantly above the comparable South County area average of 2.52 residents per household, and also above the King County average of 2.37 and statewide average household size of 2.53 residents per household.

For 2007, average household size in Covington decreased slightly to an estimated 3.10 persons per household, and is projected to remain at about this level through 2012. Nationally, the expectation until recently has been one of declining household size due to aging baby boomers. However, this has been offset in some communities by household characteristics of in-migrants and higher housing costs – pushing household size back up. Similar trends of little or no change in household size are currently predicted for South County, King County, and Washington State.

### Age of Population

Covington is similar to other South County cities, King County and the entire state in the proportion of population age 16-64, but quite different for younger and older age categories. Covington has higher proportions of children age 0-15. Conversely, the population in the city is underrepresented by those 65 and above.

### 12.2.2 Economic Trends

Economic indicators of importance to Covington and the region include employment, number of firms and average payroll – by major economic sector. Economic trends reviewed also include an assessment of household incomes, work trip commuting patterns within the region, and retail sales.

### Major Employees

Information compiled by the City of Covington indicates the single largest employer in the community is the Kent School District, with nearly 800 employees. Wal-Mart and Multicare Health Systems are the next largest, each employing approximately 300 workers. The remaining top 5 employers city-wide are Fred Meyer (250) and Costco (200).

**Table 12.1: Major Employers in Covington**

Employer	Service/Product	# of Employees
Kent School District	Education K-12	784
Wal-Mart Stores, Inc.	Retail Variety	300
Multicare Health Systems	Health Care	300
Fred Meyer	Retail Variety	250
Costco	Retail Warehouse	200
Home Depot	Retail	125
Kohl's	Retail	125
Safeway	Retail Grocery	90
City of Covington	Municipal	51
QFC	Retail Grocery	50
Valley Medical	Health Care	37
Petco	Retail	33

Source: City of Covington 2008 Budget.

Currently, Covington's major employers are related to retail, health services or public agency functions.

### Composition of Job Base

As of 2006, the Covington area had a total of more than 430 firms, with just under 4,720 jobs. Of the major sectors in Covington, *services* represent the largest with nearly 1,840 workers (or 39% of the trade area job base). With 1,430 workers, *retail trade* is the second largest employment sector in the Covington area, followed by *construction* (with 610 jobs) and then manufacturing (180 jobs).

The Covington area has only an estimated 0.41 jobs per working age person. This is well below the South County region average of 1.22 jobs per working age person. Comparable figures for King County and the state of Washington are 0.97 and 0.77 jobs per working age persons, respectively. As a result of a low jobs ratio, the Covington area experiences considerable out-commuting as local residents drive elsewhere to work.

**Average Pay (or Wage)**

Average annual wage for all employees in King County covered by unemployment insurance is estimated at just under \$53,500 as of 2006. For the 98042 zip code encompassing Covington, the comparable wage was \$29,300. This is approximately 55% of King County's average wage (and 68% of the statewide average covered wage of \$42,900).

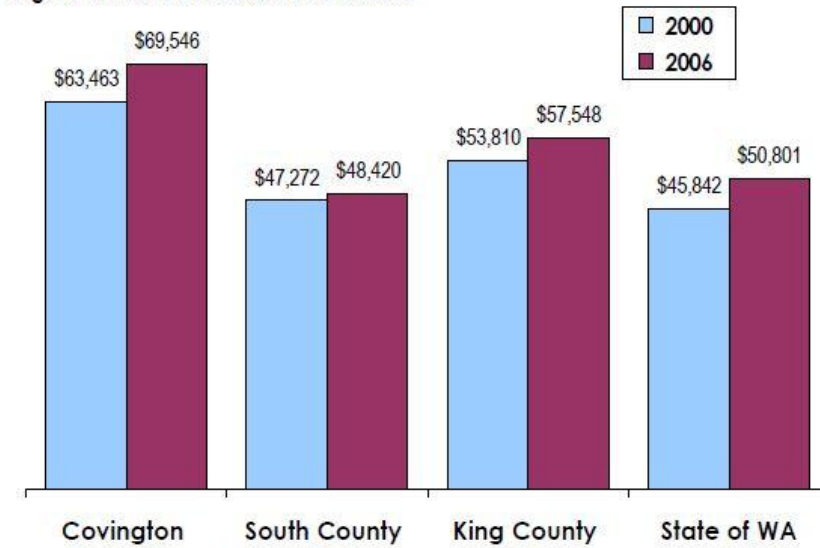
Average wage paid to those who have jobs located in Covington is relatively low due to what appears to be the over-concentration of retail and service employment with limited higher paid industrial park (including technology business) activity.

**Household Income**

As of 2006, median household income was estimated at \$69,500 for Covington. This figure is 21% above the King County median of \$57,500.

The Covington income premium is even more pronounced when compared with the South County geography (44% above) and the entire state (37% above). Relatively high incomes of Covington households can be attributed to the high proportion of residents who commute out of the local community for employment.

Figure 12.3: Median Household Income

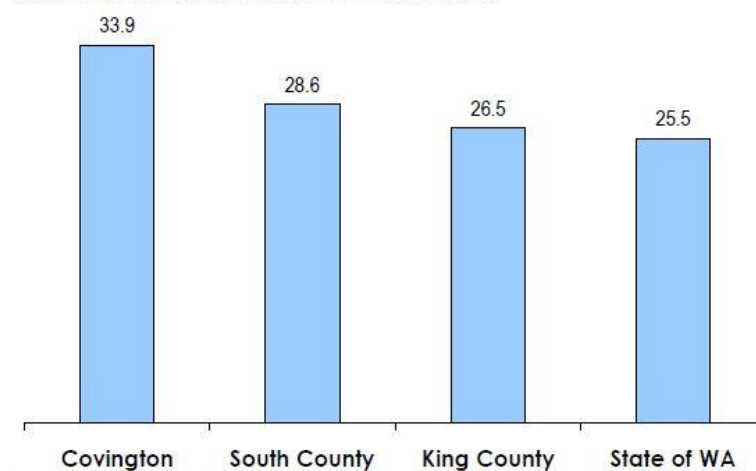


Source: Hebert Research, Inc., 2006 South King County Economic Engine.

### Work Commutes

For the vast majority of the 97% of employees who commute to work, length of commute is *substantially above* counterparts county or statewide. Average travel time to work for employed Covington residents is 33.9 minutes. This is 28% above the countywide average travel time of 26.5 minutes and 33% above the statewide average of 25.5 minutes. South County workers also have longer average commutes (at 28.6 minutes) than county or statewide, though still not as long as for those who commute from Covington.

Figure 12.4: Average Travel Time to Work (minutes)



Source: U.S. Census, 2000.



### Retail Sales & Leakage

Retail *demand* relates to the volume of retail purchases made by local residents, whether made in the local trade area or elsewhere. *Supply* is defined as the volume of retail sales activity actually experienced by local businesses.

In conditions where demand outstrips supply, *retail sales leakage* occurs as local residents travel outside the immediate trade area to shop. In some communities, the volume of sales will outstrip locally generated demand, meaning that retailers are drawing from well beyond the local trade area.

For the analysis prepared with this economic development element, retail sales and leakage information has been provided for a trade area described as encompassing a four zip code region of 98042 (Covington), 98038 (Maple Valley), 98010 (Black Diamond) and 98051 (Ravensdale). This is the geographic area from which customers may be most often drawn for comparison shopping (including department and discount store activities).

Total *spending potential* for the 78,700 residents in these 4 zip codes is estimated to exceed \$1.08 billion annually. The volume of *retail sales actually occurring* from retail establishments located in the trade area approximates \$463 million. Resulting *sales leakage* is in the range of \$620+ million, equating to approximately 57% of locally generated consumer spending potential.

This retail sales leakage occurs as residents travel elsewhere to shop – and is noted across all retail categories except nonstore retailers. For the trade area encompassing Covington and nearby communities, sales leakage exceeds 50% of local consumer spending potential for motor vehicles, furniture and home furnishings, electronics and appliances, building materials and garden supplies, and apparel.

### Retail Space Supported

Sales leakage data can be translated into estimates of potential commercial space square footage demand. The estimates provided with this Economic Development Element represent *maximum locally generated potentials* assuming up to 100% sales leakage recapture. Also quantified are future retail potentials associated with population growth. This growth is projected for the zip code trade area over a five year time horizon through 2012, with a projected estimated population of 85,800 residents (up by 7,100 residents compared to 2007).

If 100% of *existing* resident-generated spending potential were to be accommodated within this 4-zip code trade area, up to nearly 1.3 million square feet of retail space could be supported, whether in Covington or elsewhere in the trade area. Apparel appears to be the retail category that

could support the greatest increase in building space, followed by general merchandise (including department and/or discount stores), then grocery.

Up to an additional 225,000 square feet of retail space may be supported with *population growth* anticipated to 2012 – for total current plus future growth space potential of up to 1.6 million square feet. The strongest categories of potential future (5-year) added space demand in the 4-zip code trade area appear to be with grocery and restaurant activity.

Whether and to what degree Covington captures the retail potentials identified will be influenced by factors including availability of retail sites centrally situated to serve trade area demographics, trade area population large enough to achieve critical mass for large format and other national retailers, extent of future retail development elsewhere as in Maple Valley and Black Diamond, and supportive public policy.

### 12.2.3 City of Covington Financial Indicators

Financial indicators considered with this overview are tax rates, budgeted city revenues and expenditure, level of service relative to other cities, and available debt capacity.

#### Tax Rates

The City of Covington receives taxes on property, retail sales, utilities, and the sale of real estate.

The total sales tax rate for sales made in the City of Covington is 8.5%, and is distributed to the following agencies:

State of Washington	6.50%
City of Covington	0.85%
King County/METRO	0.60%
Traffic & Traffic Congestion	0.30%
King County	0.15%
King County Criminal Justice Levy	0.10%

Sales tax receipts represent the single largest source of revenue to the city. Revenues are divided between the General Fund (75%), Parks Fund (20%) and Cumulative Reserve Fund (5%).

The 2008 property tax levy rate is \$1.04814 per \$1,000 of assessed value. Property tax receipts are collected in the city's General Fund as the second most important source of revenue to the city.

In November 2007, Covington's City Council adopted a utility tax of 5.5%. This tax is imposed on utilities including electricity, natural gas, telephones, cellular telephones, cable television, solid waste, and surface water. Utility tax revenues are expected to be allocated to the General Fund, Parks Fund, Street Fund, and Capital Investment Fund.

The City of Covington has a locally imposed real estate excise tax (REET) of 0.5%, levied on all sales of real estate. The city's REET is coupled with the state's REET of 1.28%, for a total combined rate of 1.78%. The funds generated by the city's portion of REET are allocated to local capital improvements identified under the capital facilities plan element of the city's Comprehensive Plan.

### **Budget Operating Funds**

This per capita comparison aligns with similar notes provided by the City of Covington 2008 Budget. As indicated by the budget, the city's current level of service has not been on par with comparable cities of similar size. This is largely because the city does not provide the full complement of typical municipal services.

The City of Covington is directly responsible for police, parks, streets, planning and general administration, aquatics, stormwater, and human services. Non-city providers are used for services including water, sanitary sewer, and fire protection.

The City Council's recent adoption of a utility tax was intended as an added source of revenue to provide more needed services to the community. Budget priorities identified by the City Council for 2008 and future years include marketing the city to businesses, community groups and the public, and investing in transportation and parks infrastructure.

### **Comparative Revenues & Expenditures**

Based on information from the Washington State Auditors Office, revenues from all fund types to the City of Covington in 2006 totaled \$12.8 million. City expenditures from all fund types for this same year amounted to \$10.9 million.

When compared with *per capita revenues* from all cities in Washington, Covington's revenues of \$741 are 70% below the all city per person average of \$2,500. Per capita revenues for the City of Covington fall well below statewide averages across virtually all revenue categories. Property tax revenues were 38% of the statewide per capita average as of 2006; sales tax revenues were at 57%.

In a similar *per capita comparison of expenditures*, Covington spent 72% less than the average of all Washington cities. As is the case with revenues, expenditures are well below the statewide per capita average across all major expenditure categories.

As noted, a lower level of per capita operating expenditure is to be expected because a number of services typically provided by cities are covered by other special district providers in Covington. This lower level of city-provided service has also made it possible to keep the *city share*

of property tax rates relatively low compared to other cities.

The city's revenue picture is changing rapidly due to factors including recent authorization of a utility tax and added sales tax revenue coming on-line with new retail stores opening. However, to the extent that Covington transitions to more of a *full service* city in the future, the city may face unique challenges in securing added revenue sources to fund a broader array of urban municipal services.

### **Debt Capacity**

Based on a percentage of the City of Covington's total assessed value, the city's debt capacity is estimated at roughly \$141.5 million. As of year end 2007, the City of Covington has outstanding general obligation debt of \$12.555 million in Councilmanic Bonds for three CIP road projects. Special Assessment Debt for a Local Improvement District (LID) for street, sidewalk and storm drainage improvements is just over \$352,000. Also noted is a Public Works Trust Fund Loan for street improvement LID with outstanding debt of \$3.464 million.

Resulting combined debt of less than \$16.4 million represents only 12% of total city debt capacity. This low volume of outstanding debt is one factor that allows the city to maintain a relatively low level of expense compared to many other incorporated jurisdictions.

The significant amount of remaining debt capacity currently available may provide a basis for consideration of community infrastructure or other capital facility priorities that may prove important to the residents and businesses of Covington in the years ahead, provided that necessary resources can also be secured to defray the cost of any indebtedness incurred.

### **12.2.4 Potential Future Annexations**

The City of Covington's Comprehensive Plan addresses urban growth area (UGA) needs and potential future annexations. Any annexations of the city are dependent on prior UGA designation by King County.

### **Annexation Opportunity for Economic Development**

More detailed information for the two PAAs that could represent a substantial part of the city's economic development potential over the next 20 years is summarized as follows:

*PAA 1 (east of Lakeside Gravel Pit)* – covers the 80-acre area of vacant forested land adjacent and east of the current Lakeside Gravel Pit operations. While the gravel pit is already part of the city, this adjoining 80-acre parcel (owned by the same party as the gravel pit) is within the UGA but not yet annexed.

*PAA 4 (Northern Notch)* – comprising approximately 275 acres as a parallelogram-shaped site situated between SR 18 and SE Wax Road, and extending east from 180th Avenue SE to a line extending south from about 195th Avenue SE.

Long-term plans include provision of sewer service to the entire Covington Urban Growth Boundary. Water within the city is provided by the Covington Water District. A full freeway interchange has been constructed by WSDOT at 256th and Highway 18 – making this one of only two interchanges within the City of Covington. Annexation is dependent on prior King County UGA amendment and reclassification from Rural to Urban designation.

### **Impacts of Future Annexations**

Taken together, properties east of the Lakeside Gravel Pit and Northern Notch areas offer the potential to add an additional 355 acres of land to the City of Covington. Much of this land could ultimately become available for economic development – including creation of added local employment and business-related tax base.

In addition to meeting long-term growth needs of the city and region, a major Comprehensive Plan related purpose of future annexations is to promote more compact urban development in order to “insure efficient utilization of land resources and to facilitate economic provision of urban services.”

From an economic development perspective, annexations may be important to objectives that could include any or some combination of:

- Providing additional land for non-retail related employment (such as business park or office) – helping to reduce resident commutes by providing a land use underrepresented in Covington at present.
- Offering opportunity for additional commercial development to better serve Covington and trade area resident shopping and service needs – albeit with potential ramifications to the existing downtown area.
- Generating added property and sales tax revenue to the city – reducing the proportion of city services funded by residents.

To date, the City of Covington has not had the opportunity to actively plan for these PAAs. Each area will need to be evaluated based on its own merits including consideration of economic feasibility to the city. Other factors that need to be addressed include ability to efficiently provide one or both PAAs with adequate urban infrastructure and public services, extent of anticipated population and employment need to be addressed over the next 20 years, and impacts to city objectives for

compact mixed use development and effective mass transit – particularly within the currently designated downtown zones of the city.

### **12.2.5 Development Trends & Capacities**

This final section of the economic profile provides a brief review of information regarding commercial and industrial development trends and land capacities together with a delineation of longer term employment land needs.

#### **Existing Land Use**

As of the 2005 *City of Covington Comprehensive Plan* update, existing land use comprised a total of approximately 3,286 acres, excluding lakes and roads. Mining and quarry activities accounted for about 5.5% of the total acreage, commercial for 2.1%, with office and industrial uses each at about 0.3%. Vacant lands (of all zoning designations) were estimated at 651 acres, or 19.8% of total land area.

The 2005 Comprehensive Plan updated indicated that there is a significant amount of land that is potentially unsuitable for future development. Approximately 766 acres were identified as potentially constrained – which may limit some or all use of these properties.

#### **Comprehensive Plan Growth Allocations**

The *City of Covington Comprehensive Plan* as updated in 2005 projected employment growth and associated land use needs to 2023. More recent information is provided by the 2007 *King County Buildable Lands Report* and by the 2008 city prepared report *Population, Housing and Employment: 2000-2010*.

Starting from a base of 2,588 jobs in 2000, the city's most recent figures show an estimated employment of 3,613 jobs in Covington as of 2006 – reflecting a gain of 1,025 jobs (or 40% increase) over this recent six-year period. Comprehensive Plan related projections as of 2005 provided that the City of Covington had an *employment growth target* to add an estimated 990 new jobs between 2000 and 2022.

A comparison of the 2007 King County Buildable Lands analysis and the 2006 actual in-city job numbers indicate that employment growth already experienced likely exceeds the job growth target set for 2022. The 2005 Comprehensive Plan analysis concluded that commercial plus industrial zoned capacity “will not provide sufficient employment capacity” to meet employment growth needs. However, the analysis also noted that the zoning based methodology does not account for employment occurring in non-industrial/commercial zones of the city including government and education which together account for more than an

estimated 42% of total employment in Covington. Consequently, the potential deficit of land for employment purposes may be overstated – albeit by an as yet not fully determined amount.

### **Future Land Use**

As acknowledged in the 2005 update to the Comprehensive Plan, 3,255 acres were identified for future land use, including Annexation Areas 1-3. The *2007 King County Buildable Lands Report* provides more updated estimates of non-residential land supply as of 2006. This report indicates gross land area of 198.4 acres for employment growth – including 77.9 acres of vacant and 120.5 acres of redevelopable sites.

When adjusted for critical areas, rights of way, public purpose use and a market factor, the resulting estimate of net developable area is 116.4 acres – equating to 54.0 acres of net vacant and 62.4 acres of net redevelopable land. In effect, this added supply provides capacity to accommodate added in-city employment beyond the job targets referenced by the Comprehensive Plan.

### **Future Economic Development Prospects**

For Covington, economic opportunities clearly can be expected to vary depending on the type of commercial retail, office, and business park that is considered. For *retail* use, the opportunity may be to ride the wave of retail activity in the South King County market, specifically capitalizing on the population growth that has and will occur within a residential trade area conveniently served from Covington. Due to its highway cross-roads location in the middle of a large and growing trade area, Covington continues to have potential for further retail development meeting the shopping and service needs of residents in the city plus adjoining communities.

With *office* use, the question is whether Covington has an opportunity to move into a market for which the South County and Covington have historically had a weak competitive presence. Positioning for increased regional office market capture will require proximity to a large and relatively young labor force looking for job opportunities closer to home. This potential also may be strengthened due to the city's proximity to the I-90/eastside corridors with much stronger office market presence.

For *business park* development, the question is whether Covington has the interest and can generate a competitive advantage similar to what has been demonstrated elsewhere in the Kent Valley/South County area. To date, distance from the Highway 167 and I-5 corridors has proven to be a competitive liability, not as yet offset by Highway 18 proximity. As with office, it may be that Covington's best option is not to compete for the warehouse/distribution market which is strongly oriented to the Kent

Valley, but rather begin to draw higher end flex/tech uses just over the hill from the I-90 corridor or from the Renton/I-405 corridor to the west.

## 12.3 Strengths, Weaknesses, Opportunities and Threats

Building from the economic profile, it has been possible to prepare an assessment of Covington area strengths, weaknesses, opportunities and threats (or SWOT) for economic development. Additional information and insights have been provided from activities including:

- Project start-up and *orientation meeting* – with the Covington Economic Development Council (CEDC).
- A series of personal *stakeholder interviews* – with a representative cross-section of 25 business, city and civic leaders.
- A *community survey* – completed by 160 residents.
- A *community open house* – attended by approximately 60 participants.

The SWOT assessment includes a description and preliminary evaluation of strategic options available to the Covington community. Results have been used to further inform and frame the preparation of a recommended vision together with goals and policies provided with this Economic Development Element.

### 12.3.1 Elements of the SWOT Assessment

For purposes of the SWOT assessment, *strengths* are defined as existing assets of the Covington economy – and as potential building blocks for future economic development. *Weaknesses* are liabilities – important to address for Covington to be effective in achieving its economic development objectives. Taken together, strengths and weaknesses represent a present day, internally focused *snapshot*, illustrating what's working well versus what's not.

In contrast, opportunities and threats are both more *forward looking* and are often driven by conditions external to the local community.

*Opportunities* for Covington occur at the point where statewide and global forces intersect with existing or potential local strengths. To the extent they are recognized and harnessed consistent with local priorities, opportunities could act to propel Covington forward in the years ahead. *Threats* are those local and external conditions or challenges that could serve to undermine or jeopardize future community economic vitality.

### 12.3.2 SWOT Summary

*Existing conditions* that shape and affect Covington's economic vitality



today are outlined in summary form – illustrated by the chart of current strengths and weaknesses provided as follows.

**Table 12.2: Current Economic Development Strengths & Weaknesses**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Location on Highway 18 as an emerging growth corridor for King County</li> <li>• Ability to readily serve a relatively young &amp; affluent trade area of nearly 80,000 residents</li> <li>• Strength &amp; depth of Covington's retail core</li> <li>• Commitment of the city to managed growth &amp; development</li> <li>• Potential availability of land to serve anticipated population &amp; job growth</li> <li>• Natural corridors &amp; trails</li> </ul>	<ul style="list-style-type: none"> <li>• Traffic congestion of the Kent-Kangley / 272nd Street (SR 516) highway corridor</li> <li>• Substantial out-commuting for high-wage employment elsewhere in the region</li> <li>• Need for town center &amp; urban amenities</li> <li>• Limited availability of in-city, shovel-ready land for high-wage job development</li> <li>• Perceptions of the Covington development &amp; permitting process</li> <li>• Limited city financial resources to leverage desired economic &amp; mixed use development</li> </ul>

Of the strengths outlined, only two – location and land availability – fall within the purview of what are viewed as traditional economic development mainstay assets. Community demographics, retail activity and natural amenities are often viewed as important for quality of life – but often less so for on-going economic vitality. However, these views are changing for two reasons:

- Increased state and local jurisdiction dependence on sales tax revenue in the state of Washington;
- Recognition that quality of life increasingly influences where businesses that offer high wage jobs locate.

An important challenge for Covington will be to harness this distinctive set of community assets in ways that better integrate livability with economic vitality and ongoing sustainability.

All of the weaknesses identified can be corrected or mitigated – though actions on some could require substantial public and community effort to address. The level of commitment made will undoubtedly shape whether and how it is possible to build from existing local strengths and to capture future opportunities for economic development and diversification in Covington.

*Looking to the future*, there are emerging west coast, U.S. and global trends that, taken together with existing local conditions, can be expected to affect Covington's prospects for economic vitality in the years ahead. These future conditions present both opportunities and potential threats (or challenges) for the Covington community.

**Table 12.3: Prospective Economic Development Opportunities & Threats**

Opportunities	Weaknesses
<ul style="list-style-type: none"> <li>• Continued retail expansion with attendant local sales tax generation</li> <li>• High-wage employment growth</li> <li>• Hotel, banquet, event &amp; entertainment venues</li> <li>• Town center &amp; mixed use development</li> <li>• Strengthened community identity</li> </ul>	<ul style="list-style-type: none"> <li>• Vulnerability to global economic restructuring – especially housing credit &amp; fuel price issues</li> <li>• Uncertain role of Covington vis-à-vis South County &amp; I-90/I-405 corridor neighbors</li> <li>• Challenge of attracting pioneering employment &amp; mixed use development</li> </ul>

Realization of the identified opportunities is by no means assured. Achieving results will depend, in large part, on conscious decisions and actions taken by businesses, citizens and public agencies that have a stake in Covington's future. While some threats represent external forces over which the community has little direct control, the extent of the threat (or challenge) can be addressed or mitigated, at least in part, through pro-active local actions.

### 12.3.3 Strategic Options

From this SWOT assessment, four generalized options distinctive to Covington were considered as a basis to determine an *umbrella framework* most appropriate for future economic development. All of the options listed assume some form of public-private partnership – but predicated on an intentional approach to economic and community development for Covington.

1. **Status Quo.** This can be described as the *default option* – assuming no change in strategic economic development direction for the Covington community. Economic development will continue to occur largely in response to individual business investment decisions made in combination with local and regional planning (including growth management) priorities.

Covington can expect to receive continued commercial development interest – though issues of adequately sized remaining development sites and congestion on SR 516 (272nd Street) may make achieving successful development more daunting in the future. In the absence of concerted public initiative, it is unlikely that the city and community's vision for a vital town center can be readily achieved.

Covington residents will likely continue to commute out of the area for higher wage jobs – albeit with transportation consuming a much larger portion of the household budget. Worst case, this could serve to weaken Covington's ongoing desirability as a quality family community.

2. **Town Center Focus.** With this strategic approach, Covington would aim to strengthen and diversify its downtown commercial core but with added emphasis on:
  - Achieving the town center vision of a pedestrian oriented commercial core that includes both small and larger scale retail together with a mix of other uses including office, residential, civic buildings and public gathering/open space.

- Achieving some form of higher density development – as could occur with residential over commercial space and possible structured parking – aided by public investment in amenities that the private sector is unlikely to deliver on its own.

The benefits of this strategic option include realization of a long-standing vision for the Covington community, added retail sales tax generation, and more defined identity (if not branding) for Covington as a distinct and desirable place to live, shop, work and socialize. Potential disadvantages include the need to address traffic implications in the downtown area (especially for SR 516), the potential level of city investment and development expertise required, and the limited or unclear potential to diversify the community toward higher wage jobs.

3. **Family Wage Job Focus.** This third strategic option is focused less on town center commercial and mixed use development and more on a traditional economic development approach targeted to secure added high-wage job opportunities closer to home for Covington residents. Key elements of this strategy could include:

- Office, business and technology park development – most likely in the vicinity of the SR 18/256th Street interchange (including accompanying annexation).
- Active collaboration with land owners – to address planning and infrastructure needs and to attract qualified developers and business users/tenants to Covington.
- Opportunity for a substantial small business development emphasis–targeted to existing and prospective residents with interest to locate and grow a business in Covington.

The chief benefits of this strategy are that it best offers the opportunity to reduce out-commuting and raise the wage profile of Covington area employers. Disadvantages include costs of serving new development coupled with limited ongoing sales tax revenue potential (from on-site non-retail related development). There is also some market risk, as this new focus will require “pioneers” willing to invest in business and technology park projects as yet untested in the Covington area.

4. **Jobs with a Heart.** This represents a potential *hybrid option* –a balanced approach involving concurrent initiatives for town center and high-wage jobs-oriented development:

- Commercial and mixed use town center development would be prioritized at least initially on the existing

downtown core (SR 516 and Wax Road areas).

- Employment development would be focused on the as yet undeveloped area proximate to the SR 18/256th Street interchange (likely including annexation of the property east of the gravel pit and/or northern notch areas).

This strategy offers the most balanced approach to achieving commercial development, high-wage job and tax revenue benefits for the businesses, residents and City of Covington. One downside is the risk associated with trying to accomplish too many things at once – especially if local resources are already strained or the community’s will to implement this more aggressive strategic option is not readily forthcoming. A related challenge will be in determining how to achieve this vision in a manner that remains flexible over time – responding to unique challenges and opportunities with each SR 18 interchange area (including those not yet readily foreseen).

### **A Preferred Strategy**

After review and discussion of the strategic options, the Covington Economic Development Council (CEDC) has recommended *Option 2 Town Center Focus* as the preferred emphasis for short term implementation. As the town center moves toward realization, communities priorities can be expected to shift toward increased family wage focus – leading to the hybrid *Option 4 Jobs with a Heart*.

The economic development vision, goals and objectives that follow are intended to implement this phased strategy over the 20-year time horizon of the City’s Comprehensive Plan. Implementation is further supported by an Action Agenda provided as a companion to this Economic Development Element in conjunction with an annually updated Work Plan.

## **12.4 Economic Development Vision**

At its best, Covington’s economic development vision will serve to reinforce and further stimulate the already adopted City Council vision for the entire community. This Economic Development Element embodies a minimum 20-year vision for future and ongoing economic vitality of the community – depicted as follows:

Covington is economically distinct, diverse and vibrant – a full-service community offering good paying jobs, places to shop and recreate, and a tax base supportive of quality public infrastructure and services. Covington nurtures families and business

entrepreneurs, fosters a pattern of development that will be sustainable for the next generation, and values its location at the interface between the community's built and natural environment.

## 12.5 Goals and Policies

Covington's economic development vision is to be implemented through the following specific Comprehensive Plan Goals and Policies adopted with this Economic Development Element.

### 12.5.1 Partnerships for Positive Service Culture

EDG 1.0 The City of Covington recognizes the importance of a positive and supportive relationship among its staff, the citizenry, and stakeholders doing business with the city and is resolved to ensure a responsive service culture within the city organization aimed at sustained economic prosperity and business profitability by listening carefully, solving problems creatively, efficiently and proactively.

*EDG 1.1 Recognize private employment and investment as the primary catalyst for generating a healthy local economy and balanced tax base.*

*EDG 1.2 Maintain development regulations which are predictable and cost effective to all parties.*

*EDG 1.3 Ensure that city licensing and permitting procedures and processes are equitable and efficient.*

*EDG 1.4 Initiate efforts to improve basic criteria for the "over the counter" permit system and process for appropriate permits within resources available*

*EDP 1.5 Establish and maintain positive and proactive inter- jurisdictional relationships with outside serve providers such as water, sewer, gas, electric, fire, phone and cable entities throughout the permitting process.*

*EDP 1.6 Encourage community policing and other business and neighborhood community watch programs to improve public safety for both businesses and residences.*

*EDP1.7 Review development regulations and processes to assure competitiveness with other selected Puget Sound jurisdictions and to suggest options for continued cost-effective public service*

*enhancements.*

*EDP 1.8 Continually solicit community and stakeholder input on the development, permitting and licensing process and make relevant improvements based upon quality customer service goals.*

*EDP 1.9 Strive to create and implement opportunities to better communicate with constituents and stakeholders through all forms of the media and the internet/web.*

### **12.5.2 Balanced Economic Development**

**EDG 2.0** Encourage economic development in Covington that responds to the needs and interests of area residents, businesses and investors for services and high paying jobs.

*EDP 2.1 Utilize a definition of “economic development” appropriate to the needs and aspirations of the Covington community as “the creation and sustainability of local employment, incomes, goods, services and local government revenues benefiting Covington residents, workers, visitors and businesses.”*

*EDP 2.2 Increase employment in Covington to better balance jobs with housing.*

*EDP 2.3 Target sustained maintenance of Covington household incomes above the King County median.*

*EDP 2.4 Increase the overall average wage of persons working in Covington.*

*EDP 2.5 Prioritize economic development assistance and incentives to businesses and development projects providing opportunity for higher wages.*

*EDP 2.6 Reduce the average length of commute to work for Covington residents.*

*EDP 2.7 Partner with regional and state organizations for economic development initiatives of mutual interest.*

*EDP 2.8 Formulate an image or branding campaign to raise regional public and business awareness of Covington as a good place to invest – a “City for Entrepreneurs.”*

*EDP 2.9 Establish a short list of measurable benchmarks by which to assess progress toward achieving key public-private economic development objectives for Covington.*

### **12.5.3 Economic Development Strategy**

**EDG 3.0** Covington's economic development program will be based on a balanced, multi-faceted strategic planning framework that is sustainable over time with an annual Work Plan and a process that tracks the progress of implementation.

*EDP 3.1 The City's economic development program will consider a variety of approaches to achieving a diverse local economy, including, but not limited to, 1) business retention and expansion, 2) business attraction and diversification including entrepreneurship and small business development, and 3) developing and maintaining effective public- private partnerships.*

*EDP 3.2 The City will adequately support its economic development effort over time with adequate budgets and staffing in order to insure that it has an appropriate existing capacity to address future economic development threats and opportunities.*

*EDP 3.3 The city will actively market the community by identifying areas for development and target new or expanding businesses for which there is clear opportunity to locate and invest in Covington.*

### **12.5.4 Covington Town Center**

**EDG 4.0** Develop a town center offering shopping, employment, residential, cultural, public, recreation and open space activities within downtown Covington.

*EDP 4.1 Develop a town center as the focal point for Downtown Covington.*

*EDP 4.2 Encourage a public-private partnership for town center development with proactive tools and incentives to leverage the desired mix of private and public uses and achieve a net long-term economic and financial benefit to the City of Covington at the lowest public outlay possible.*

*EDP 4.3 Assure the availability of a site (or sites) adequately sized and appropriately located to*

*meet objectives for a town center mixed use development, incorporating community feedback.*

### **12.5.5 Commercial & Mixed Use Development**

**EDG 5.0** Encourage commercial retail, service and complementary mixed use development that serves the residents of Covington and nearby communities, attracts visitors, and enhances the City's tax base while addressing transportation and other public service issues as they arise.

*EDP 5.1 Strengthen Covington's position as the center of a regional trade area serving Covington and nearby communities readily accessed from the State Route 18 and State Route 516 highway corridors.*

*EDP 5.2 Develop downtown, neighborhood, community and regional commercial uses with coordinated provision of 1) adequate transportation, pedestrian and utility infrastructure, 2) development and design standards to encourage other mixed use, commercial and residential developments that complement but do not unduly compete with realization of the downtown vision; and 3) allow for open space and parks.*

*EDP 5.3 Focus retail and related commercial development to achieve downtown build-out, provide for convenience oriented neighborhood retail, and encourage mixed use development with planned annexation areas to fully serve the needs of trade area residents and businesses.*

*EDP 5.4 When non-downtown sites are considered, prioritize locations offering proximity to adequate transportation and utility infrastructure and underserved trade area populations.*

*EDP 5.5 Facilitate development of lodging, meeting, event and entertainment venues meeting both resident and visitor needs.*

*EDP 5.6 Encourage residential and other forms of mixed use development in commercial zones to reduce vehicular traffic, provide for shared parking including eventual transition to structured parking at high demand locations, and maintain development capacity for active ground level commercial use.*



*EDP 5.7 Secure options for transit service, ride sharing, pedestrian-friendly development and other means to reduce the need for vehicular travel.*

*EDP 5.8 Encourage regional commercial and employment uses along major transportation corridors to strengthen Covington's economic position within the region.*

### **12.5.6 Employment Development**

**EDG 6.0** Expand Covington's employment base to achieve jobs-housing balance with King County, raise local wage levels and maintain above average incomes for Covington residents.

*EDP 6.1 Determine employment growth targets and commercial-employment land needs in Covington appropriate to achieve job-housing balance.*

*EDP 6.2 Designate sites suitable for development of office, business and technology park properties at locations effectively served by transportation and other infrastructure.*

*EDP 6.3 Require property owners in planned annexation areas to engage in collaborative public-private land use and infrastructure planning for high quality, master planned development.*

*EDP 6.4 Consider proactive tools and incentives to assist in development of businesses and added employment throughout Covington as consistent with the City's economic development goals and policies.*

*EDP 6.5 Encourage location of higher wage employment-intensive uses to complement downtown area and other mixed use development in Covington.*

*EDP 6.6 Foster a business climate and site options supporting large employers offering high-wage jobs together with small business and entrepreneurial start-ups.*

*EDP 6.7 Consider development standards for live-work units and home-based businesses.*

### **12.5.7 Land Use & Economic Development**

**EDG 7.0** Utilize land use provisions of the Covington

Comprehensive Plan and zoning ordinances as instrumental to facilitate and implement this Economic Development element.

*EDP 7.1 In conjunction with regularly scheduled Comprehensive Plan updates, re-assess needs for commercial and employment land as needed to provide for jobs-housing balance and to effectively serve retail trade area potentials over a 20-year time horizon.*

*EDP 7.2 In cooperation with King County, provide for UGA expansion and annexation of areas most suited to meet 20-year commercial and employment land needs of the City of Covington.*

*EGP 7.3 Create a new zoning district encompassing major office, employment and technology uses along with other traditional mixed-use commercial and residential uses.*

*EGP 7.4 Establish land use goals and policy mechanisms addressing economic, social and environmental sustainability in a manner consistent with this Economic Development Element.*

### **12.5.8 Community Infrastructure & Public Services**

**EDG 8.0** Plan, fund and build transportation, utility and civic infrastructure timed to meet the requirements of commercial, employment and workforce development.

*EDP 8.1 Facilitate economic development that, on balance, provides positive net revenue to the City of Covington from sources including property, sales and utility tax revenues.*

*EDP 8.2 Assure that growth pays for growth except in instances where clear public policy supports additional public investment.*

*EDP 8.3 Draw on outside regional, state and federal and private/non-profit resources to assist in meeting community infrastructure and public service needs associated with economic development.*

*EDP 8.4 Develop programs to encourage work trip commute reductions including ride sharing and transit.*

*EDP 8.5 Seek cost-effective, innovative, and state of the art*

*solutions for utility and telecommunications infrastructure.*

### **12.5.9 Hawk Property Subarea**

EDG 9.0 Develop a secondary economic center in the Hawk Property Subarea that offers shopping, employment, and residential opportunities without competing with the Town Center.

*EDP 9.1 Encourage both regional and local-serving commercial uses that meet community shopping needs and provide jobs.*

*EDP 9.2 Formulate an image and branding strategy to provide a unique identity distinct from the Covington Town Center, such as a Master Sign Program.*

*EDP 9.3 Implement land use and zoning standards that will encourage a mix of regional and local commercial uses and housing densities.*

*EDP 9.4 Encourage commercial development comprised of a mix of regional retail, iconic/local retail and related uses that will serve local residents as well as residents of neighboring communities.*

*EDP 9.5 Ensure that commercial areas are sensitive to the natural features around them.*